MEMORANDUM

To: CalHFA Board of Directors

From: Theresa A. Parker, Executive Director
CALIFORNIA HOUSING FINANCE AGENCY

Date: January 12, 2005

Subject: CPR Proposal on State Surplus Properties

At our last Board Meeting on November 18, 2004, Board Member John Morris requested information about the California Performance Review Commission’s (CPR) recommendation on identifying and selling under-used and surplus state properties. This report will provide information to Board Members on the status of that recommendation and whether or not there is the opportunity for such properties to be available for the creation of affordable housing.

Background
In August 2004, the California Performance Review issued a report that included more than 1,000 recommendations that could streamline government, improve the quality of service delivery and ultimately save billions of taxpayer dollars over the next five years.

One such recommendation identified current state laws and processes for identifying and selling state surplus property assets that should be amended to increase property sales and revenue to the State of California. Most state agencies are requested by statute to annually review their property holdings to determine what, if any, are surplus, under utilized or in excess of foreseeable needs. The Department of General Services compiles this information and reports to the Legislature, requesting authorization to sell it or otherwise dispose of it.

Current law also includes a provision of first right of refusal for acquisition of any identified surplus property by other state departments and/or local governments at below market rate value.

CPR’s proposed streamlining process to increase property sales and revenues to the state would do the following:

- Empower the State and Consumer Services Agency or its successor to declare state assets surplus and direct their sale.
- Amend state law to require the sale of state property at fair market value.
- Amend state law to eliminate the right of first refusal for surplus property to any non-state agency.
- Appropriate continuous funding to evaluate and sell surplus property.
- Permit the State and Consumer Services Agency or its successor to enter master service contracts for consulting services required to study and sell surplus property.
In a 1995 report mandated by the Legislature, the Department of General Services identified 123 surplus or under-used properties controlled by 12 different agencies. Only a few of the 123 properties have, to date, been identified by the individual agencies in their annual surplus property reports and have been sold.

On October 30, 2004, the California Performance Review Commission issued their report which summarized public perception to the recommendation contained in CPR. With respect to tapping surplus property assets, the Commission heard public comments which expressed both support and opposition to the CPR recommendations.

**Current Status**
Following the CPR and the CPR Commission’s work, the Department of General Services (DGS) has been involved in identifying underused and surplus state property. They have grouped these properties into three categories. The first category identified a grouping of properties where there is basic agreement among DGS and the impacted department that the property should be released for sale. It is my understanding that the Schwarzenegger Administration will be submitting legislation to request legislative authorization to sell these parcels at market rate prices.

The second grouping of properties has been identified by the Department of General Services as underutilized or surplus. However, there is not consensus by the ownership department of DGS’s determination. Such examples might include vacant land at state developmental centers or state office buildings which currently are occupied by state employees.

The third category (and highlighted by CPR) is a list of high value properties in the State of California where there is no agreement or consensus that they meet the criteria for surplus property sales. Some examples on this list might include San Quentin and state property in Del Mar.

**Opportunities for the Creation of Affordable Housing**
I believe that there are a couple of opportunities created by this proposal, should it be enacted, to add to the affordable housing stock of California. Specifically:

- Streamlining the process for sale of underutilized and surplus property could place more land on the market that developers could bid for to build affordable single or multifamily housing.

- Elimination of the first right of refusal requirement would also provide greater opportunities for non-governmental agencies (developers) to bid on previously unavailable property.

- Criteria for winning bids would go to the highest bidder above fair market value, eliminating, for the most part, current priorities.

In conclusion, there is no opportunity to directly tie the sale of state surplus property for the creation of affordable housing. However, while the intent is for the state to maximize the value of state property, not get into the development business, the California Housing Finance Agency will continue to monitor this area for opportunities to create affordable housing.
January 13, 2005

AMENDED
CALIFORNIA HOUSING FINANCE AGENCY
2004/05
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

<table>
<thead>
<tr>
<th>EXPENDITURE ITEM</th>
<th>Actual 03/04</th>
<th>Adopted 04/05</th>
<th>Amended 04/05</th>
<th>Proposed 04/05</th>
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</thead>
<tbody>
<tr>
<td>PERSONAL SERVICES</td>
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<tr>
<td>Authorized Salaries</td>
<td>$13,709</td>
<td>$17,356</td>
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<tr>
<td>Estimated Salary Savings</td>
<td>(868)</td>
<td>(868)</td>
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<tr>
<td>Staff Benefits</td>
<td>4,273</td>
<td>4,122</td>
<td>125</td>
<td>4,247</td>
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<tr>
<td>TOTALS, Personal Services</td>
<td>$17,982</td>
<td>$20,611</td>
<td>$125</td>
<td>$20,736</td>
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OPERATING EXPENSES AND EQUIPMENT

<table>
<thead>
<tr>
<th>EXPENDITURE ITEM</th>
<th>Actual 03/04</th>
<th>Adopted 04/05</th>
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<th>Proposed 04/05</th>
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</thead>
<tbody>
<tr>
<td>General Expense</td>
<td>817</td>
<td>750</td>
<td>750</td>
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<td>Communications</td>
<td>661</td>
<td>600</td>
<td>600</td>
<td></td>
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<td>Travel</td>
<td>424</td>
<td>400</td>
<td>400</td>
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<tr>
<td>Training</td>
<td>173</td>
<td>140</td>
<td>140</td>
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<tr>
<td>Facilities Operation</td>
<td>2,176</td>
<td>2,602</td>
<td>2,602</td>
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<tr>
<td>Consulting &amp; Professional Services</td>
<td>4,556</td>
<td>4,797</td>
<td>2,875</td>
<td>7,672</td>
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<td>*Central Admin. Serv.</td>
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<td>1,427</td>
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<tr>
<td>Information Technology</td>
<td>805</td>
<td>750</td>
<td>750</td>
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<tr>
<td>Equipment</td>
<td>592</td>
<td>500</td>
<td>500</td>
<td></td>
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<tr>
<td>Operating Expenses and Equipment</td>
<td>$11,021</td>
<td>$11,966</td>
<td>$2,875</td>
<td>$14,841</td>
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TOTALS, EXPENDITURES

<table>
<thead>
<tr>
<th>EXPENDITURE ITEM</th>
<th>Actual 03/04</th>
<th>Adopted 04/05</th>
<th>Amended 04/05</th>
<th>Proposed 04/05</th>
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</thead>
<tbody>
<tr>
<td>TOTALS, EXPENDITURES</td>
<td>$29,003</td>
<td>$32,577</td>
<td>$3,000</td>
<td>$35,577</td>
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* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.
California Housing Finance Agency
Meeting of Board of Directors
November 18, 2004
Millbrae, CA

Supplemental Minutes

After the conclusion of the open portion of the meeting, the Board went into closed session to receive advice from counsel relating to the litigation described in item 5 of the agenda. At the conclusion of the closed session, Board member Morris asked the Chair to re-open the meeting to make an additional statement under agenda item 7, “Discussion of other Board matters”. The Chair thereupon re-opened the public record.

Mr. Morris referred to the findings of the California Performance Review concerning the uses of excess or surplus state land. Mr. Morris suggested that the Agency consider encouraging the State to make excess or surplus state land available for the development of affordable housing. Mr. Morris asked the Agency staff to look into the issue. No action was taken.

The meeting was thereupon adjourned.

Thomas C. Hughes
Secretary of the Board of Directors
## CDLAC ALLOCATIONS 2000 - 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume Cap for all Programs</th>
<th>MULTIFAMILY ALLOCATIONS</th>
<th>SINGLE FAMILY ALLOCATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>All Multifamily</td>
<td>To CalHFA</td>
</tr>
<tr>
<td>2000</td>
<td>$1,657,256,050</td>
<td>$911,644,686</td>
<td>$159,315,000</td>
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<tr>
<td>2001</td>
<td>$2,122,538,462</td>
<td>$1,099,132,743</td>
<td>$123,550,000</td>
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<tr>
<td>2002</td>
<td>$2,587,594,750</td>
<td>$1,294,941,472</td>
<td>$119,445,000</td>
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<tr>
<td>2003</td>
<td>$2,633,702,475</td>
<td>$1,436,702,475</td>
<td>$236,565,000</td>
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<tr>
<td>2004</td>
<td>$2,838,756,240</td>
<td>$1,552,900,000</td>
<td>$214,187,800</td>
</tr>
</tbody>
</table>

2004 % Cap $2,838,756,240 $907,187,800 32.0%

(1) Includes MRBs and Extra Credit Teacher Home Purchase Program.
(2) Includes $1,700,000 multifamily carry forward allocation.
(3) Includes $73,775,798 single family carry forward allocation.
(4) Includes $139,255,188 single family carry forward allocation.
(5) Includes $86,460,327 single family carry forward allocation.
(6) Includes $21,610,000 multifamily carry forward allocation.
(7) Includes $305,000,000 single family carry forward allocation.

CDLAC 00-04.xls (IMF)
BOARD OF DIRECTORS
CALIFORNIA HOUSING FINANCE AGENCY

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915 Capitol Mall, Room 110
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*Jan Boel, Interim Director
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President/CEO
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Edward M. Czuker, President
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Lucetta Dunn, Director
Dept. of Housing & Community Development
State of California
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CURRENT BOARD VACANCY
1 Governor’s Appointee
1 Senate Rules
1 Speaker of Assembly

*Non-Voting
Rev12.15.04/111680v2
## SCHEDULE OF CALHFA REGULAR BOARD MEETINGS

<table>
<thead>
<tr>
<th>DATE</th>
<th>CITY</th>
<th>LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 13</td>
<td>Millbrae</td>
<td>The Westin*&lt;br&gt;San Francisco Airport&lt;br&gt;One Old Bayshore Highway&lt;br&gt;Millbrae, CA</td>
</tr>
<tr>
<td>(Thursday)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March 22</td>
<td>Sacramento</td>
<td>Clarion Hotel&lt;br&gt;Sacramento*&lt;br&gt;700 Sixteenth Street&lt;br&gt;Sacramento, CA</td>
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<tr>
<td>(Tuesday)</td>
<td></td>
<td></td>
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<tr>
<td>May 12</td>
<td>Burbank</td>
<td>Hilton Burbank Airport &amp; Convention Center*&lt;br&gt;2500 Hollywood Way&lt;br&gt;Burbank, CA</td>
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<tr>
<td>(Thursday)</td>
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<td></td>
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<tr>
<td>July 7</td>
<td>Sacramento</td>
<td>Hyatt Regency&lt;br&gt;Sacramento*&lt;br&gt;1209 L Street&lt;br&gt;Sacramento, CA</td>
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<tr>
<td>(Thursday)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 8</td>
<td>Burbank</td>
<td>Hilton Burbank Airport &amp; Convention Center*&lt;br&gt;2500 Hollywood Way&lt;br&gt;Burbank, CA</td>
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<tr>
<td>(Thursday)</td>
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<td></td>
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<td>November 9</td>
<td>Millbrae</td>
<td>The Westin*&lt;br&gt;San Francisco Airport&lt;br&gt;One Old Bayshore Highway&lt;br&gt;Millbrae, CA</td>
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<tr>
<td>(Wednesday)</td>
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*TENTATIVE MEETING LOCATIONS*
Financing Agenda Items

- Single Family Bond Authorization
  Resolution 05-01

- Multifamily Bond Authorization
  Resolution 05-02

- Bond Authorization to Assist Local Public Entities
  Resolution 05-03

- Authorization for Application to CDLAC
  Resolution 05-04
Single Family Bond Authorization
Resolution 05-01

Volume Limits

- $ Amount Being Retired

- $ Amount of New CDLAC Allocations

- $ 900 MM of Taxable Bonds

Affordable Housing is our Business
Single Family Bonds
Financing Plans in 2005

- Continued Use of Aa2/AA- HMRB Indenture
- Various Issues of Draw Down Bonds/Notes
- Continued Borrowing from State Investment Fund for Loan Warehousing
- Long-Term Credit Facility

Affordable Housing is our Business
Multifamily Bond Authorization
Resolution 05-02

Volume Limits

- $ Amount Being Retired
- $ Amount of New Allocation
- $ 800 MM for 501(c)(3) and Taxable
- $ 300 MM for Loan Acquisitions

Affordable Housing is our Business
Multifamily Bonds
Financing Plans in 2005

- Draw Down Bonds in February
- Continued Use of MFHRB III Indenture
- Two Pooled Issues of Insured Auction Bonds
- Long-Term Credit Facility

Affordable Housing is our Business
Authorization to Issue Bonds to Finance Loans to Local Public Entities
Resolution 05-03

- Volume Limit
  - $50 MM of Bonds

- Related Financial Agreements

- Short and Long-Term Credit Facility

- Potential Loan Programs
  - HELP Loans
  - Tax Increment Lending

*Localities could use loan proceeds for a wide range of affordable housing related activities such as land acquisition, pre-development, and site development.*

*Affordable Housing is our Business*
Authorization to Apply to the California Debt Limit Allocation Committee
Resolution 05-04

Single Family Bonds  $600 Million
Multifamily Bonds  $400 Million

Affordable Housing is our Business
Financing Reports

- Habitat for Humanity Investment
- Summary of 2004 Bond Financings
- Variable Rate Bonds and Swaps
Habitat for Humanity Investment

- Purchased $262,000 of Notes Backed by Habitat Home Loans

- Helped Two California Affiliates
  - San Joaquin County
  - South Bay / Long Beach

Affordable Housing is our Business
# 2004 Bond Financings

($ in Millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>Single Family</th>
<th>SF DPA</th>
<th>Multifamily</th>
<th>Total</th>
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<tbody>
<tr>
<td>Tax-Exempt</td>
<td>$1,389.4</td>
<td>$50.0</td>
<td>$297.0</td>
<td>$1,736.4</td>
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<tr>
<td>Taxable</td>
<td>396.3</td>
<td>0</td>
<td>0</td>
<td>396.3</td>
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<td><strong>TOTALS</strong></td>
<td><strong>$1,785.7</strong></td>
<td><strong>$50.0</strong></td>
<td><strong>$297.0</strong></td>
<td><strong>$2,132.7</strong></td>
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*Affordable Housing is our Business*
CalHFA Bonds
2004 Calendar Year
(in millions)

Single Family $1,785

Downpayment Assistance $50

Multifamily $297

Taxable $396

Tax-Exempt $1,736

Affordable Housing is our Business
CalHFA Fixed Rate and Variable Rate Bonds
Issued in Calendar Year 2004
($ in Millions)

- Fixed Rate $21 (1%)
- Variable - Other $1,567 (73%)
- Variable - Swapped to Fixed $544 (26%)

Affordable Housing is our Business
CalHFA Tax-exempt and Taxable Bonds
Issued in Calendar Year 2004
($ in Millions)

- Tax-exempt Notes: $1,031 (49%)
- Taxable Notes: $266 (12%)
- Tax-exempt Bonds for New Loans: $705 (33%)
- Taxable Bonds for New Loans: $130 (6%)

Affordable Housing is our Business
Report on Variable Rate Bonds and Swaps

Affordable Housing is our Business
## Variable Rate Debt as of Dec. 31, 2004

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Tied Directly to Variable Rate Assets</th>
<th>Swapped to Fixed Rate</th>
<th>Not Swapped or Tied to Variable Rate Loans</th>
<th>Total Variable Rate Debt</th>
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<tbody>
<tr>
<td>HMRB</td>
<td>$ 4</td>
<td>$ 3,306</td>
<td>$ 962</td>
<td>$ 4,272</td>
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<tr>
<td>MHRB</td>
<td>0</td>
<td>795</td>
<td>306</td>
<td>1,101</td>
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<tr>
<td>HPB</td>
<td>0</td>
<td>35</td>
<td>15</td>
<td>50</td>
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<tr>
<td>DDB</td>
<td>1,009</td>
<td>0</td>
<td>0</td>
<td>1,009</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td>$1,013</td>
<td>$ 4,136</td>
<td>$ 1,283</td>
<td>$ 6,432</td>
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Affordable Housing is our Business
# Types of Variable Rate Debt

($ in Millions$)

<table>
<thead>
<tr>
<th></th>
<th>Auction Rate &amp; Similar Securities</th>
<th>Indexed Rate Bonds</th>
<th>Variable Rate Demand Obligations</th>
<th>Total Variable Rate Bonds</th>
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<tbody>
<tr>
<td>HMRB</td>
<td>$186</td>
<td>$2,810</td>
<td>$2,284</td>
<td>$5,280</td>
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<tr>
<td>MHRB</td>
<td>506</td>
<td>0</td>
<td>596</td>
<td>1,102</td>
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<tr>
<td>HPB</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>50</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$692</strong></td>
<td><strong>$2,810</strong></td>
<td><strong>$2,930</strong></td>
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*Affordable Housing is our Business*
## Net Variable Rate Debt

($ in Millions)

<table>
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<tr>
<th></th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
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<tbody>
<tr>
<td>Short average life*</td>
<td>$137</td>
<td>$790</td>
<td>$927</td>
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<tr>
<td>Long average life</td>
<td>190</td>
<td>166</td>
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<td><strong>TOTALS</strong></td>
<td><strong>$327</strong></td>
<td><strong>$956</strong></td>
<td><strong>$1,283</strong></td>
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*Bonds with an expected average life of 10 years or less.

*Affordable Housing is our Business*
## Fixed Payer Interest Rate Swaps

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
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<th>Totals</th>
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<tr>
<td>HMRB</td>
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<td>$3,324</td>
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<tr>
<td>MHRB</td>
<td>828</td>
<td>0</td>
<td>828</td>
</tr>
<tr>
<td>HPB</td>
<td>35</td>
<td>0</td>
<td>35</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$2,977</strong></td>
<td><strong>$1,210</strong></td>
<td><strong>$4,187</strong></td>
</tr>
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Mid-Year Business Plan Update
Fiscal Year 2004-05
HOMEOWNERSHIP PROGRAMS

Jerry Smart
Homeownership Programs Chief
CalHFA Homeownership
2004-2005 YTD First Mortgage Production vs Annual Goal Comparison
(in millions)

$1,175
$1,238
$1,250
6,668 loans
105%*
$719.5
3,438 Loans
58%

*Percent of FY goal

Goal for FY 2003-2004
Totals for FY 2003-2004
Current FY Goal
FY 2004-05 mid year as of 12/31/04

Affordable Housing is our Business
California Housing Finance Agency

CalHFA Homeownership
2004-2005 YTD Production vs Annual Goal Comparison
Down Payment Assistance Programs

Millions

<table>
<thead>
<tr>
<th>Program</th>
<th>FY Goal</th>
<th>Actual $ as of 12/31/04</th>
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<tr>
<td>CHAP</td>
<td>$27</td>
<td>$27</td>
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<tr>
<td>CHDAP</td>
<td>$20</td>
<td>$19.50</td>
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<tr>
<td>ECTP</td>
<td>$18</td>
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<tr>
<td>HICAP</td>
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<td>HIRAP</td>
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<tr>
<td>SHBAP</td>
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<td>$0.50</td>
</tr>
</tbody>
</table>

Affordable Housing is our Business
Homeownership Programs
Mid-Year Report

- 3,438 first-time homebuyer families served
- 24% loans on new construction housing
- 76% loans on resale housing
- 49% loans in high cost areas
- 65% loans made to minorities
- 56% low income families (MRB/CDLAC definition)
- $67.3M down payment assistance & closing cost
  - 6,640 subordinate loans and grants
- Provided outreach efforts at 53 conferences, home-buyer fairs, workshops and special speaking events
- Provided 43 lender training seminars
- Approved 233 local assistance programs for AHPP
  - Localities have provided over $14.8 m assistance to 341 CalHFA homebuyers

Affordable Housing is our Business
Continuing and New Initiatives

- Improve efficiencies in loan process and documentation
  - Completed process mapping
  - Consolidating subordinate loan docs
  - Developing capability to draw and distribute subordinate loan documents
  - Providing CalHFA loan docs to VMP for lender access
  - Reduced turn times on approvals/purchases
  - Continuing Outreach and Lender training
    - Developing web-based Lender training
- New Reservation Loan System

Affordable Housing is our Business
Mortgage Insurance

Nancy Abreu
Director
2004-05 Fiscal Year
Actual thru 12/31 vs Goal

Affordable Housing is our Business
California Housing Finance Agency

2004-05 Strategies
Integrate Information Technology
Vision and Platform

- Electronic Data Exchange
- Portfolio Data & Reports
- CalHFA Portal

Affordable Housing is our Business
2004-05 Strategies
Increase Production
Insure Seconds

- Little appetite
- Lenders holding in portfolio then securitizing in bulk
- Private MIs doing custom risk based transactions

Affordable Housing is our Business
Increase Production
Expand Homeownership Programs

- Annual pay to monthly
- Reduce MI coverage from 50% to 35%
- Introduce acceptance of Desktop Underwriter (DU) and Loan Prospector (LP) for credit decision and MI decision

Affordable Housing is our Business
Increase Production Mortgage Payment Protection

- Provided on CalHFA mortgage insured loans
- If borrower becomes involuntarily unemployed
  - Pays up to $2,500 of monthly mortgage payment
  - Up to six months of benefit
  - Covers first five years of the loan
- Removes a barrier to homeownership
- No additional cost to the borrower
- Roll out in February

Affordable Housing is our Business
Increase Production
Cal HFA 5/35

- 35 year term
- Fixed rate entire term
- First 5 years interest only
- Up to 100% LTV First Deed of Trust
- Pricing target 25 bp higher than 30 year statewide
- Moderate price
- Borrower education and awareness
- Initial disclosure
- Annual notification

Affordable Housing is our Business
Increase Production
Cal HFA 5/35

- Why introduce the product
  - Mismatch between extremely high home prices and incomes; lack of affordability
  - Lower initial payments
  - Certainty at adjustment
  - More buying power

Affordable Housing is our Business
# Increase Production

## Cal HFA 5/35

<table>
<thead>
<tr>
<th></th>
<th>30 Yr Fixed</th>
<th>5/35</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Rate</strong></td>
<td>4.75%</td>
<td>5.00%</td>
<td>25 bp</td>
</tr>
<tr>
<td><strong>Initial Payment</strong></td>
<td>$2,165.00</td>
<td>$1,850.00</td>
<td>$315.00 month</td>
</tr>
<tr>
<td><strong>PITI</strong></td>
<td></td>
<td></td>
<td>$3,780.00 annual</td>
</tr>
<tr>
<td><strong>Income to Qualify</strong></td>
<td>$4,811.11</td>
<td>$4,111.11</td>
<td>$700.00 month</td>
</tr>
<tr>
<td><strong>Amount of increase at month 61</strong></td>
<td>-0-</td>
<td>$360.00 (19.4%)</td>
<td>$360.00 month</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$4,320.00 annual</td>
</tr>
</tbody>
</table>

*PITI includes taxes, insurance, and MI premium along with interest and principal if applicable.*

---

*Affordable Housing is our Business*
California Housing Finance Agency

Increase Production
Cal-Combo

• CalHFA first loan
  - 80/20, 90/10, 95/5
• Citimortgage second loan
  - 30 Year amortization
  - 5 IO/25 amortization for low income
• CHDAP junior loan
• Expanded Citimortgage origination network
• Roll out March

Affordable Housing is our Business
Increase Production
Other Considerations...

- 5/1 ARM

- Expand outreach

- Develop new relationships and expand existing

Affordable Housing is our Business
Multifamily Programs
Mid-Year Accomplishments

- Issued loan commitments for 16 projects totaling $233.7 million equaling 86% of annual program goal

- Completed first round of HELP commitments for $10 million
  - Program totals equal $130 million, representing 127 loans to municipalities for an estimated 19,400 units

- Closed 15 multifamily loans totaling $149.1 million, equal to last year's pace.

- Currently 113 loans in process representing approximately $640 million

Affordable Housing is our Business
Multifamily Programs
Mid Year Accomplishments
(continued)

- Completed three focus group meetings evaluating the current Special Needs Lending Program and expansion of permanent supportive housing programs
- Hired three new staff in the construction management and loan closing units.
Loan and Dollar Volumes In Process
Mid-Year 1999 - 2004
Multifamily Program Activity
FY's 1999 to 2004

Affordable Housing is our Business
Multifamily Programs
Mid – Year Initiatives

- Loan Origination System
  - Responses to consultant and system RFP's under evaluation
  - System selection scheduled for January
  - Project commencement in February

- Residential Development Program
  - Initiative to finance the development of new affordable homeownership stock

- Local Lending initiatives
  - Tax increment program for a range of housing related financing including site acquisition and development funding

- Expansion of the Special Needs Program to include a greater emphasis on permanent supportive housing
  - Development financing
  - Linkages to mental health funds

Affordable Housing is our Business
CalHFA Mid-Year Business Plan Update
Fiscal Year 2004-05

Asset Management
Margaret Alvarez
Director
Accomplishments

- New software in place. Training completed. Going "live" January 26, 2005

- iManage document storage system. Staff fully iManage-literate. Reduced paper files by 40%

- Loan modification:
  - Northgate (80/20 Victorville)

- Workout:
  - Altadena Vista (80/20 Altadena)

Affordable Housing is our Business
2004-2009 Business Plan Concepts

- Restructuring of Section 8 Portfolio
  - OMHAR Pay offs: Eureka Central, 36 u., Eureka and South Real Gardens, 20 u., Bakersfield
  - Imperial Terrace, 50 u., LA, to be taken by eminent domain for freeway construction
  - Seven projects, each 5 u. owned by LA Housing Authority have prepayment rights as of 3/2005
  - First of the 30 year coterminous loans terminates in 2009: Casa de la Raza, 51 u.

Affordable Housing is our Business
2004-2009 Business Plan Concepts

- REO Sales Plan
  - Broker Selection by 2/15/05
  - Agency selection of broker by 3/30/05
  - REO sales begins 4/1/05

- Capital Improvement Loan Program – Earned Surplus funds
  - Two pending loans
  - Twelve-fifteen others in next 2-3 years

Affordable Housing is our Business
Fiscal Services

Dennis Meidinger
Comptroller
REVENUES, EXPENSES AND OPERATING INCOME
CONSOLIDATED BOND PROGRAMS
($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2003/04 (Actual)</th>
<th>9/30/04 (Actual)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES</td>
<td>$447</td>
<td>$106</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td>375</td>
<td>91</td>
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<tr>
<td>OPERATING INCOME</td>
<td>$72</td>
<td>$15</td>
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</table>

Affordable Housing is our Business
**California Housing Finance Agency**

**ACTUAL AND BUDGETED REVENUES AND EXPENSES**  
**HOUSING AND INSURANCE OPERATING ACCOUNT ($ in millions)**

<table>
<thead>
<tr>
<th></th>
<th>2003/04 (Actual)</th>
<th>2004/05 (Budgeted)</th>
<th>9/30/04 (Actual)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$27.2</td>
<td>$29.9</td>
<td>$29.9</td>
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<tr>
<td><strong>Operating Fees and Interest</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.9</td>
<td>11.6</td>
<td>3.1</td>
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<tr>
<td><strong>Operating Transfers (1.)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21.8</td>
<td>18.4</td>
<td></td>
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<tr>
<td><strong>Proposed Budget Transfer (2.)</strong></td>
<td></td>
<td></td>
<td>3.0</td>
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<tr>
<td><strong>Total Housing Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$31.7</td>
<td>$30.0</td>
<td>$6.1</td>
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<tr>
<td><strong>Housing &amp; Insurance Budget</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>29</td>
<td>32.5</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$29.9</td>
<td>27.4</td>
<td>$27.9</td>
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</tbody>
</table>

1.) For fiscal year 2003/04, $21.8 million was transferred from the lien of indentures ($11.8 million from Home Mortgage Revenue Bonds and $10 million from Multifamily Housing Revenue Bonds III). The required transfer for fiscal year 2004/05 is anticipated to be $18.4 million.

2.) We propose transferring $3 million from the Home Mortgage Revenue Bond Indenture for this budget augmentation.
CalHFA Mid-Year
Business Plan Update
Fiscal Year 2004-2005

Administration

Jackie Riley
Director

California Housing Finance Agency

Affordable Housing is our Business
Administration
Mid Year Update

- Staffing
  - 13 new employees hired since July

- Space
  - Senator space undergoing tenant improvements in order to reunite work units
  - Expected move dates in February/March 2005
  - Both sites will accommodate current overflow and anticipated growth
  - Spring 2005 – Begin planning for consolidation of whole Agency in one location

Affordable Housing is our Business
Administration
Mid Year Update

- **Budget**
  - Agency is on track with spending at mid-year with the exceptions requested in the budget amendment
  - No direct impact from State Budget

Affordable Housing is our Business
Amended California Housing Finance Agency
2004/05 Housing and Insurance Operation Funds
Details of Expenditures

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>EXPENDITURE ITEM</th>
<th>Actual 03/04</th>
<th>Adopted 04/05</th>
<th>Amended 04/05</th>
<th>Proposed 04/05</th>
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<tbody>
<tr>
<td>PERSONAL SERVICES</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Authorized Salaries</td>
<td>$13,709</td>
<td>$17,356</td>
<td>$17,356</td>
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<tr>
<td>Estimated Salary Savings</td>
<td>(868)</td>
<td>(868)</td>
<td></td>
<td></td>
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<tr>
<td>Staff Benefits</td>
<td>4,273</td>
<td>4,122</td>
<td>125</td>
<td>4,247</td>
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<tr>
<td>TOTALS, Personal Services</td>
<td>$17,982</td>
<td>$20,611</td>
<td>$125</td>
<td>$20,736</td>
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<tr>
<td>OPERATING EXPENSES AND EQUIPMENT</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Expense</td>
<td>817</td>
<td>750</td>
<td>750</td>
<td></td>
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<tr>
<td>Communications</td>
<td>661</td>
<td>600</td>
<td>600</td>
<td></td>
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<tr>
<td>Travel</td>
<td>424</td>
<td>400</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>173</td>
<td>140</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>Facilities Operation</td>
<td>2,176</td>
<td>2,602</td>
<td>2,602</td>
<td></td>
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<tr>
<td><strong>Consulting &amp; Professional Services</strong></td>
<td><strong>4,556</strong></td>
<td><strong>4,797</strong></td>
<td><strong>2,875</strong></td>
<td><strong>7,672</strong></td>
</tr>
<tr>
<td>*Central Administrative Services</td>
<td>817</td>
<td>1,427</td>
<td>1,427</td>
<td></td>
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<tr>
<td>Information Technology</td>
<td>805</td>
<td>750</td>
<td>750</td>
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</tr>
<tr>
<td>Equipment</td>
<td>592</td>
<td>500</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses and Equipment</td>
<td><strong>$11,021</strong></td>
<td><strong>$11,966</strong></td>
<td><strong>$2,875</strong></td>
<td><strong>$14,841</strong></td>
</tr>
<tr>
<td>TOTALS, EXPENDITURES</td>
<td><strong>$29,003</strong></td>
<td><strong>$32,577</strong></td>
<td><strong>$3,000</strong></td>
<td><strong>$35,577</strong></td>
</tr>
</tbody>
</table>

* Central Administrative Services: These are convco costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.